TANAKA

Consolidated Financial Statements

Year Ended March 31, 2023

This English translation of the financial statements is prepared for reference purposes only and qualified in its entirety by the original Japanese version. In case of any discrepancy between this translation and the original version, the latter shall prevail.

Consolidated Balance Sheet

March 31, 2023

(Millions of Yen)

ASSETS		LIABILITIES	
CURRENT ASSETS	717,940	CURRENT LIABILITIES	477,547
Cash and cash equivalents	88,908	Notes and Accounts payable-trade	87,451
Notes receivable-trade	3,636	Short-term borrowings	30,696
Accounts receivable-trade	119,337	Borrowing precious metals	247,766
Inventories	404,960	Current portion of long-term debt	8,698
Lending precious metals	57,584	Lease liabilities	701
Consumption taxes receivable	21,357	Accounts payable-other	49,631
Accounts receivable-other	3,882	Income taxes payable	4,310
Advance payments-trade	11,276	Contractual liabilities	6,094
Other	7,110	Deposit	30,547
Allowance for doubtful accounts	△113	Provision for bonuses	3,875
		Other	7,772
NONCURRENT ASSETS	169,008		
PROPERTY, PLANT AND EQUIPMENT	89,597	LONG-TERM LIABILITIES	40,318
Buildings and structures	34,013	Long-term debt	31,302
Machinery and equipment	25,612	Asset retirement obligations	1,629
Land	15,140	Liability for retirement benefits	286
Construction in progress	9,203	Lease liabilities	2,851
Lease assets	2,513	Deferred tax liabilities	2,654
Other	3,114	Other	1,593
		TOTAL LIABILITIES	517,865
INTANGIBLE FIXED ASSETS	10,854	**EQUITY**	
Software	4,155	SHAREHOLDERS' EQUITY	343,364
Software in progress	1,681	Common stock	500
Customer related assets	2,410	Capital surplus	9,719
Other	2,606	Retained earnings	341,009
		Treasury stock	△7,864
INVESTMENTS AND OTHER ASSETS	68,556		
Investment securities	4,055	ACCUMULATED OTHER COMPREHENSIVE INCOME	25,661
Shares of associated companies	27,269	Unrealized gain on available-for-sale securities	1,313
Investments in associated affiliates	3,260	Foreign currency translation adjustments	22,130
Other	34,230	Defined retirement benefit plans	2,218
Allowance for doubtful accounts	△260	Non-controlling interests	57
		TOTAL EQUITY	369,083
TOTAL ASSETS	886,948	**TOTAL LIABILITIES and EQUITY**	886,948

Note: Amounts of less than one million yen have been omitted.

Consolidated Statement of Income

Year Ended March 31, 2023

(Millions of Yen)

Net sales		680,036
Cost of sales		601,887
Gross profit		78,148
Selling, general and administrative expenses		42,202
Operating income		35,946
Non-operating income		
Interest income and dividends	421	
Royalty	209	
Rent income	2,113	
Gain on foreign exchange-net	524	
Equity in earnings/losses of associated companies	7,912	
Other	3,951	15,131
Non-operating expenses		
Interest expenses	1,800	
Other	786	2,586
Ordinary income		48,491
Extraordinary income		
Gain on sales of non-current assets	218	
Other	265	483
Extraordinary losses		
Loss on sales and retirement of non-current assets	52	
Other	11	63
Income before income taxes		48,911
Income taxes-Current	15,357	
Income taxes-Deferred	△1,869	13,488
Net income		35,422
Net income attributable to non-controlling interests		△13
Net income attributable to owners of parent		35,436

Note: Amounts of less than one million yen have been omitted.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2023

(Millions of Yen)

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2022	500	9,719	305,928	△7,864	308,283
Changes in the year					
Dividends of surplus	―	―	△355	―	△355
Net income attributable to owners of parent	―	―	35,436	―	35,436
Net changes of items other than shareholders' equity	―	―	―	―	―
Net changes in the year	―	―	35,080	―	35,080
Balance as of March 31, 2023	500	9,719	341,009	△7,864	343,364

	Accumulated other comprehensive income				Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2022	1,198	11,079	1,788	14,066	66	322,416
Changes in the year						
Dividends of surplus	―	―	―	―	―	△355
Net income attributable to owners of parent	―	―	―	―	―	35,436
Net changes of items other than shareholders' equity	114	11,050	429	11,595	△9	11,585
Net changes in the year	114	11,050	429	11,595	△9	46,666
Balance as of March 31, 2023	1,313	22,130	2,218	25,661	57	369,083

Note: Amounts of less than one million yen have been omitted.

〔Basis of Presentation of Consolidated Financial Statements〕

1. Scope of consolidation
   (1) Consolidated subsidiaries 40 companies

   Names of principal subsidiaries

   Tanaka Kikinzoku Kogyo K.K., Tanaka Denshi Kogyo K.K., EEJA Ltd., Tanaka Kikinzoku Jewelry K.K., Metalor Technologies International SA, Metalor Technologies SA, Metalor Technologies USA Corporation

   (2) Name of non-consolidated subsidiary

   EEJA(SHANGHAI) CO., LTD.

   The assets, net sales, net income and retained earnings of the non-consolidated subsidiary are small, and the aggregate effect on the consolidated financial statements is immaterial.

2. Scope of the equity method
   (1) Subsidiaries and affiliates accounted for by the equity method

   Non-consolidated subsidiary 1 company

   Affiliates 8 companies

   Names of principal subsidiaries and affiliates accounted for by the equity method

   LT Metal Ltd., Furuya Metals Co., Ltd.

   (2) Name of affiliate not accounted for by the equity method

   Gimel Trading Co., Ltd., NPGM KOREA Co., Ltd.

   The contributions to consolidated net income/loss, consolidated retained earnings and other consolidated financial statements of affiliate not accounted for by the equity method are negligible and immaterial in the aggregate.

3. Matters Related to Fiscal Years of Consolidated Subsidiaries
   (1) Excluding companies being liquidated on the fiscal year-end, the following consolidated subsidiaries have fiscal year-ends that are different from the consolidated fiscal year-end.

   Names of main companies

   Metalor Technologies International SA
   Metalor Technologies SA
   Metalor Technologies USA Corporation
   TANAKA KIKINZOKU (NINGBO) Co., Ltd.
   TANAKA KIKINZOKU (CHENGDU) Co., Ltd.
   TANAKA ELECTRONICS (HANGZHOU) Co., Ltd.
   TANAKA KIKINZOKU INTERNATIONAL (SHANGHAI) Co., Ltd.

   Consolidated financial statements are prepared using financial statements of consolidated subsidiaries as of the end of their fiscal year.

   Note that necessary adjustment for consolidation is made regarding material transactions that occur between December 31 and the consolidated fiscal year-end.

4. Significant accounting principles
   (1) Valuation standards and methodology for material assets

   ① Securities

   Other securities

   Items other than shares, etc. without market value … Fair market value (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method)

Shares, etc. without market value	…	Cost determined by the moving average method
② Derivatives	…	Fair market value
③Inventories		
Raw materials/ products in progress/ finished products	…	Cost determined by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability
Merchandise	…	Cost determined by the specific identification method, with balance sheet values reflecting write-downs for decreased profitability
Supplies (base stock of bullion)		Cost determined by the periodic average method, with balance sheet values reflecting write-downs for decreased profitability
Supplies	…	Last purchase price method

(2) Depreciation methods for material depreciable assets

① Property, plant and equipment (excluding leased assets)

Buildings and structures (Except for facilities attached to buildings and structures and assets acquired by foreign consolidated subsidiaries)	…	Declining-balance method (Except for buildings acquired after April 1,1998, which apply the straight-line method, excluding building fixtures)
Facilities attached to buildings and structures (Except for assets acquired by foreign consolidated subsidiaries)	…	Declining-balance method (Except for Facilities attached to buildings and structures acquired after April 1,2016, which apply the straight-line method)
Machinery and equipment (Except for assets acquired by foreign consolidated subsidiaries)	…	Depreciation of machinery and equipment of the domestic subsidiary is substantially calculated by the straight-line method and of other subsidiaries principally by the declining balance method based upon the estimated economic useful life.
Others	…	Declining-balance method （Whereas straight-line method is applied to assets acquired by foreign consolidated subsidiaries)

The range of useful lives is as follows.

Buildings and structures	… 2 to 60 years
Machinery and equipment	… 2 to 10 years
②Intangible assets (excluding lease assets)	… Straight-line method Software used in-house is depreciated over its estimated useful life (five years) based on the straight-line method. Customer related assets is amortized over nine to fourteen years.
③ Lease assets	
(a) Lease assets relating to finance lease transactions that do not transfer ownership	… Straight-line method with estimated useful lives equal to lease terms, zero residual value.
(b) Lease assets other than those in (a)	Some overseas consolidated subsidiaries prepare financial statements in accordance with International Financial Reporting Standards (IFRS). Under IFRS 16, in principle, lessees recognize all leases as assets and liabilities on the balance sheet, and lease assets recognized as assets are subject to straight-line depreciation.

(3) Recognitions of allowances

①Allowance for doubtful accounts	… Allowance for doubtful accounts is provided for possible credit losses stemming from monetary receivables. Estimates of irrecoverable amounts are based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases for specific dubious accounts.
②Bonuses to employees	… Bonuses to employees are accrued at the year-end to which such bonuses are attributable.
③Bonuses to Directors and Audit & Supervisory Board Members	… Bonuses to Directors and Audit & Supervisory Board Members are accrued at the year-end to which such bonuses are attributable.
④Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	… In order to provide for payment of retirement benefits for Directors and Audit & Supervisory Board Members, necessary amount is recorded based on rules on retirement benefits (in-house rules).

(4) Other significant accounting principles

①Significant hedging transactions

Hedging accounting	… Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not premeasured at market value. Also, some consolidated subsidiaries use fair value hedging for precious metal bullion price swaps.
Hedging methods, items and policies	
Hedging methods	… Interest rate swaps Precious metal bullion price swaps
Hedging items	… Interest expense of borrowings with variable interest rates Precious metal bullion inventories subject to effects from price fluctuations
Hedging policies	… Interest rate risks for certain transactions are subject to hedging based on internal rules. Also, precious metal bullion price swaps are used to avoid the risks of precious metal bullion price fluctuations.

Hedging evaluation … For interest rate swaps for which special treatment is applied, evaluation of effectiveness is not conducted.

In addition, precious metal bullion price swaps are managed each month such that the hedge targets and the hedge transaction volume match, and at the end of the fiscal year, effectiveness is confirmed by verifying whether the expected profit or loss and cash flow were achieved.

②Accounting for retirement benefit

In order to prepare retirement benefits for employees, assets/liability for retirement benefit is recognized as net amount of pension benefit obligations and pension assets based on the estimate at the end of fiscal year. The company adopted benefit formula basis method to impute pension befit obligations.

Prior service cost is amortized on a straight-line method within the average remaining service years (15 years). Actuarial gains and losses is amortized on a straight-line method within the average remaining service years (15 years) from the next fiscal year of recognition. Actuarial gains and losses are recognized within accumulated other comprehensive income after adjusting for tax effect.

(5) Income and expenses

①Precious metal bullion commission

The company offers a service to buy and sell various types and quantities of precious metal bullions with trading companies and other sources based on orders from customers. In such transactions, commission or equivalent consideration are recognized as income. The income is recognized at the time when this service is provided to customers.

②Sale of industrial products

The company manufactures and sells industrial products that use precious metals. Income i s recognized at the time when the products are handed over to customers, but for some c ustomers, income is recognized at the time when the products are consumed by customers based on contracts such as those for supplier managed inventory (SMI) transaction.

③Provision of precious metal recovery and refining services

The company offers a service to recover and refine scraps containing precious metals received by customers. In such transactions, recovery and refining fees are recognized as income. Income is recognized at the time when this service is provided to customers.

④Precious metal accumulation service fees

Various types of fees are recognized as income in the precious metal accumulation service for individual customers. Income is recognized at the time when this service is provided to customers.

For all the transactions stated above, the payment terms have due dates that usually arrive within short periods and any important financial elements are not included in contracts.

[Income Recognition]

The basic information for understanding income is stated in “Income and expenses” under “Significant accounting principles” of Basis of Presentation of Consolidated Financial Statements.

[Accounting Estimates]

Items whose amounts were recognized in the consolidated financial statements for the fiscal year under review based on accounting estimates and that may have a material impact on the consolidated financial statements for the following fiscal year are as follows:

Property, Plant and Equipment	…	89,597	million yen
Inventories	…	404,960	million yen

(Property, plant and equipment)

When there are indications of impairment of property, plant and equipment, if the fair value of such an asset or asset group exceeds the total undiscounted future cash flows expected from the asset or the asset group, the company writes down the fair value to the recoverable value and posts the decreased amount as an impairment loss.

The company conducts careful examinations when identifying indications of impairment of property, plant and equipment and determining the recognition of impairment and measuring the impairment loss. However, if a change has occurred to the conditions and assumptions on which the estimated impairment loss is based due to a change in business plans or market environments, such a change may affect the determination on the recognition of impairment and measurement of the impairment loss.

(Inventories)

Inventories include precious metal bullion and coins, reserves of precious metals, products in progress, and supplies. Of these, precious metal bullion and coins are platinum, gold, silver, iridium, rhodium, palladium, ruthenium, osmium, and tantalum for sales to customers, and they are assessed at cost determined by the periodic average method for each asset type. In case the year-end value assessed at cost determined by the periodic average method exceeds the market value at the end of the fiscal year, the company recognizes the decline in profitability and writes down the assessed value.

[Consolidated Balance Sheet]

1. Precious metals stored by Metalor Technologies International SA, a Group foreign consolidated subsidiary, and its subsidiaries for customers are not included in inventories in the consolidated financial statements because ownerships and risks thereof are attributable to customers.

   The market value of precious metals stored by Group foreign consolidated subsidiaries for customers as of the end of their fiscal year was 69,080 million yen.

2. Accumulated depreciation of property, plant and equipment … 168,371 million yen
3. Warranty liabilities

   Contingent liabilities for guarantees and items of a similar nature of housing loans of employees from financial institutions

   Housing loans of employees … 26 million yen

〔Consolidated statements of changes in equity〕

1. Number of shares as of March 31, 2023

Common stock	67,138 thousand
A class stock	30,299 thousand

2. Number of treasury stocks as of March 31, 2023

Common stock	37,506 thousand
A class stock	666 thousand

3. Dividends

(1) Dividend paid

Resolution	Class	Source of dividend	Total dividends paid	Dividend per share	Record date	Effective date
June 17, 2022 Board meeting	Common stock	Retained earnings	¥133 million	¥4.50	March 31, 2022	June 30, 2022
June 17, 2022 Board meeting	A class stock	Retained earnings	¥133 million	¥4.50	March 31, 2022	June 30, 2022
November 21, 2022 Board meeting	Common stock	Retained earnings	¥44 million	¥1.50	September 30, 2022	November 24, 2022
November 21, 2022 Board meeting	A class stock	Retained earnings	¥44 million	¥1.50	September 30, 2022	November 24, 2022

(2) Dividends for which the record date came during the year ended March 31, 2023, but for which the effective date will come in the following fiscal year

Resolution	Class	Source of dividend	Total dividend paid	Dividend per share	Record date	Effective date
June 19, 2023 Board meeting	Common stock	Retained earnings	¥133 million	¥4.50	March 31, 2023	June 30, 2023
June 19, 2023 Board meeting	A class stock	Retained earnings	¥133 million	¥4.50	March 31, 2023	June 30, 2023

〔Financial instruments〕

1. Policy for financial instruments

The group has contractual commitment lines with major banks in order to secure sufficient liquidity and use a cash management service covering the company and domestic subsidiaries to achieve integral cash control.

The group uses financial instruments, mainly short-term and long-term loans and bond, and uses interest rate swap arrangements in order to hedge the risk of changes in variable interest rates on certain long-term loans payable, and also to hedge the risk of market rate changes on those long-term loans payable that have fixed interest rates.

Marketable securities are monitored for changes in market values, and the financial condition of the security issuers is examined every six months.

2. Fair value of financial instruments

The carrying amounts of financial instruments on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2023 are as follows. Shares without market value are excluded from the table (ref. Note 2).

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and cash equivalents	88,902	88,902	—
(2) Notes and accounts receivable-trade	122,973		
Allowance for doubtful accounts*1	△113		
Net amount	122,860	122,860	—
(3) Investment securities	2,789	2,789	—
(4) Shares of associated companies	8,012	12,871	4,859
(5) Notes and Accounts payable-trade	△87,451	△87,451	—
(6) Short-term borrowings	△30,696	△30,696	—
(7) Deposit	△30,547	△30,547	—
(8) Long-term debt to be repaid within	△8,698	△8,698	—

one year			
(9) Long-term debt	△31,302	△30,134	1,167
(10) Derivatives*2	5,188	5,188	—

Note: Items marked with △ are liabilities

*1 Allowance for doubtful accounts recorded for accounts receivable-trade has been deducted.

*2 Receivable and payables incurred by derivative transactions are presented in net amount.

(Note 1) Valuation method

(1) Cash and cash equivalents (2) Notes and accounts receivable-trade

The fair values of these items approximate fair value because of their short maturities.

(3) Investment securities, (4) Shares of associated companies

The fair values of these items are measured at the quoted market prices on the respective securities exchanges.

(5) Accounts payable-trade, (6) Short-term borrowings, (7) Deposit, (8) Long-term debt to be repaid within one year

The fair values of these items approximate fair value because of their short maturities.

(9) Long-term debt

The fair values of these items are determined by discounting the cash flows with the assumed interest rate applicable if newly borrowed.

(10) Derivatives

The fair value of derivatives and currency swap are based on valuations offered by financial institutions.

(Note 2) Unlisted securities of ¥114 million on the balance sheet, investments in partnerships of ¥1,150 million, and shares of associated companies of ¥19,260 million, and investments in associated companies of ¥3,260 million are not included in (3) Investment securities and (4) Shares of associated companies due to the lack of market prices and the inability of estimating future cash flows, which makes determination of market value extremely difficult.

〔Per share information〕

1. Equity per share … ¥6,226. 75
2. Net income per share … ¥597.93

〔Business Combinations〕

Additional payment under share transfer agreement

The share transfer agreement entered into by the Group in September 2016 to acquire shares of Metalor technologies International SA provides that additional payments shall be due in the case of occurrence of certain subsequent events. In the case of an additional payment of the acquisition price, the acquisition costs will be revised as if the additional amount were paid at the time of acquisition, and the amount of goodwill and the amount of amortization (amortized five years from the time of accrual) thereof will be adjusted. The maximum amount of additional payment is 24.950 million US dollars (equivalent to 3,310 million yen).

There was no additional goodwill acquired in the fiscal year under review.

〔Other Notes〕

Contingent Liabilities

Metalor Technologies SA is being required by the Spanish tax authorities to return the refund 16.571 million euros (equivalent to 2,343 million yen) in value-added taxes in previous fiscal years, as well as pay interest and penalties in relation to the refund. Metalor Technologies has filed an objection to the decision of the tax authorities.

The TANAKA Group is convinced that there have been absolutely no violations of laws and regulations and has not made any additional provision in the current consolidated fiscal year.